#### **DRAFT**

#### PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

### **ENERGY DIVISION**

Agenda Item 16 Agenda ID #13023 Resolution E-4663(Rev.1) June 26, 2014

### <u>RESOLUTION</u>

Resolution E-4663: Submit for approval by the Commission as amended seven energy efficiency finance pilot program implementation plans (PIPs) to comply with OP 7.a and 7.b of D.13-09-044.

#### PROPOSED OUTCOME:

- This Resolution approves as amended the seven 2013-2015
  PIPs for finance pilots filed by Pacific Gas and Electric
  Company (PG&E), Southern California Edison Company
  (SCE), Southern California Gas Company (SCG) and San
  Diego Gas and Electric Company (SDG&E), and the
  accompanying PG&E tariff for the Energy Efficiency Line Item
  Charge sub-pilot.
- Commission approval of this Resolution approves the seven finance pilots to begin immediately.

### **SAFETY CONSIDERATIONS:**

• There are no safety considerations in relation to these financing pilot programs.

#### **ESTIMATED COST:**

• There are no additional ratepayer costs associated with this Resolution beyond the \$75,244,931 authorized by D.12-11-015, of which \$65.9 million was allocated by D.13-09-044.

### By Advice Letters:

1. Southern California Gas Company Advice Letter (AL) 4562, San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;

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- 2. Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
- 3. Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.

# **SUMMARY**

This Resolution approves as amended the seven 2013-2015 program implementation plans (PIPs) for finance pilots filed by Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company and San Diego Gas and Electric Company.

By Advice Letter (AL) 4562, 2545-E/2243-G, 3433-G/4320-E, 2969-E, filed on November 19, 2013, SCG, SDG&E, PG&E, and SCE, (subsequently referred to as the "Joint Utilities"), sought to comply with the Ordering Paragraph (OP) 7.a. of Decision (D) 13-09-044 requiring joint utility submission of a statewide PIP consistent with that decision, for "Fast Track" pilots (i.e., Single Family Loan Program, Off-Bill Small Business Lease Pilot), and

By ALs 4581, 2558-E/2253-G, 3439-G/4327-E, 2989-E, and 3441-G/4328-E, filed on December 19, 2013, SCG, PG&E, SCE and SDG&E, sought to comply with OP 7.b. to file PIPs for all pilot programs with an On-Bill Repayment feature, (i.e., Master-Metered Multifamily and Energy Finance Line Item Charge).

This Resolution was necessary because the Joint Utilities informed the Commission that they were unable to file compliant program plans without the Commission issuing a Resolution to clarify the intent of D.13-09-044 (Finance Decision) with regard to marketing, education and outreach (ME&O). In addition, the Joint Utilities requested the Commission use the Resolution to clarify other aspects of the Finance Decision. Moreover, our intention is to have the pilot programs approved and ready to launch pending California Alternative Energy and Advanced Financing Authority (CAEATFA) acquiring necessary Legislative budget authority to act as the California Hub for Energy Efficiency Finance (CHEEF).

This Resolution finds the seven program implementation plans (PIPs) are out of compliance with the Finance Decision or Decision, and also with D.12-05-015 (Guidance Decision). The guidance decision provided direction on the energy efficiency portfolios for the 2013-2014 program years. This Resolution approves PIPs amended for compliance and clarity. The Resolution also resolves the single protest received on the program plans, involving solar domestic hot water measures and the multi-family on-bill repayment pilot. The Resolution directs the Joint Utilities to work with Energy Division to provide more appropriate lists of Eligible Energy Efficiency Measures to the public, including on the utility's website, per the directive on page 30 of D.13-09-044.

The issues covered in this Resolution include:

- 1. Clarification of the Finance Decision and Related Compliance
  - 1.1 Financing of Demand Response and Distributed Generation
  - 1.2 Financing of Eligible Energy Efficiency Measures
- 2. Protest of the Multi-Family Pilot
- 3. PIP Non-Compliance
  - 3.1 Marketing, Education and Outreach
  - 3.2 Retrofits Financed without Rebates or Incentives
  - 3.3 Integrated Demand side Management
  - 3.4 IOUs Provide List of Eligible Energy Efficiency Measures
- 4. Miscellaneous Modifications
  - 4.1 Updates Due to Delay
  - 4.2 EFLIC PIP & Tariff
  - 4.3 Formatting Problems in PIPs

# **BACKGROUND**

D.13-09-044, the Finance Decision, directed the implementation of energy efficiency financing pilot programs to be operated under the statewide California Hub for Energy Efficiency Financing by CAEATFA, contingent upon CAEATFA's receipt of Legislative budget authority. The decision approved pilots in the single family, master-metered multi-family and small business sectors, as well as one pilot for businesses of any size. D.13-09-044 was the

culmination of years of CPUC-led public scoping to create pilots that use ratepayer funds to enhance the terms of private financing.

Besides many day-long public workshops held to develop the pilot framework between 2010 and 2012, major milestones include:

- D.09-09-047 directed Commission staff to explore a wide range of additional financing possibilities and oversee preparation of a report that recommends the most-promising approaches that should be considered in California.
- AB 758 (2009, Skinner and Bass) directed the Commission to investigate the ability of electrical and gas corporations to provide energy efficiency (EE) financing options for comprehensive energy retrofits for residential and non-residential customers in the existing building stock.
- An ALJ Ruling on January 10, 2012 included a staff proposal suggesting
  the development of a larger efficiency financing program supported by
  both ratepayer and private capital funds and including an on-bill
  repayment structure and the creation of an energy loan and project
  performance data base.
- D.12-05-015 directed the Investor Owned Utilities (IOUs) to expand EE financing and hire an expert finance consultant to work with them, Commission staff, the CEC and stakeholders to design at least four new financing programs. The consultant filed recommendations in October of 2012. Because it was too late for the November EE portfolio budget decision to fully consider the recommendations, and party comments on them, D.12-11-015 authorized a budget of \$75,244,931 for the finance pilots but left the implementation details to later Commission action, which D.13-09-044 completed.

D.13-09-044 ordered the Joint Utilities to file compliant PIPs on November 19 and December 19 of 2013. The Finance Decision ordered the November 19, 2013 filing to include PIPs for pilots that would operate off of the utility bill, including the single family loan loss reserve program, and the off-bill small business lease program. The Finance Decision also ordered the December 19, 2013 filing to include on-bill pilots including: the small business on-bill repayment pilot, the small business on-bill repayment lease pilot, the multi-family on-bill repayment pilot, the non-residential on-bill repayment pilot without credit enhancement, and a sub-pilot of the single family loan loss reserve pilot called Energy

Efficiency Line Item Charge (EFLIC), which PG&E alone among the IOUs will operate. The EFLIC PIP includes a tariff for on-bill collection for that pilot.

# **NOTICE**

Notice of AL 4562 et al. was made by publication in the Commission's Daily Calendar. The four Joint Utilities state that a copy of each of the three Advice Letters was mailed and distributed in accordance with Section 4 of General Order 96-B.

# **PROTESTS**

Advice Letters 4581, 2558-E/2253-G, 3439-G/4327-E, 2989-E, were timely protested jointly by California Housing Partnership Corporation (CHPC) and Build it Green on January 8, 2014. Marin Clean Energy provided a letter of support for the protest.

Southern California Gas Company filed a response on behalf of all IOUs to the protest of California Housing Partnership and Build it Green on January 15, 2014.

The following is a summary of the protest and reply:

The protest addressed only the multi-family PIP, out of the five PIPs included in the joint ALs. The CHPC/Build it Green protest explains that Solar Domestic Hot Water systems are commonly recommended for multi-family retrofits, result in substantial savings, but require substantial upfront cost.

CHPC protested the Commission's categorization of Solar Domestic Hot Water systems as energy generation systems not eligible for financing in the energy efficiency multi-family pilot. They also protested the fact that neither D.13-09-044 nor the multi-family PIP provided "a clear path" to finance that measure through the pilot, as long as the ratepayer credit enhancement were not used for its financing. The protest argues that the Finance Decision allows financing of solar measures in all pilots if no credit enhancement is used. It points to the pre-development phase of the multi-family pilot, which does not use ratepayer credit enhancements, arguing that as a result the Finance Decision allows the projects in the pre-development phase to finance an expanded list of measures.

In its reply, SCG states the Joint Utilities do not agree that Solar Domestic Hot Water (DHW) measures could be categorized as energy efficiency measures eligible for the multi-family pilot, per D.13-09-044. The IOUs also disagree that D.13-09-044 authorizes funding of non-eligible energy efficiency measures, such

as distributed generation (DG) and demand response (DR) for the majority of any loan – except in the non-credit enhanced on-bill repayment pilot. (i.e., the majority of any loan is the minimum of 70% of the loan required to be used for eligible energy efficiency measures.)

However, SCG said the Joint Utilities do support the Commission including solar DHW as a measure eligible for the multi-family pilot as long as there is no ratepayer credit enhancement support for these measures. The IOUs believe the savings from DHW systems could help multi-family customers overcome barriers to viable EE projects.

### **DISCUSSION**

This Resolution organizes the issues into four areas: 1) clarification of the Finance Decision and related compliance, 2) the Multi-Family pilot protest, 3) PIP non-compliance, and 4) miscellaneous modifications needed in the PIPs.

### 1. Clarification of the Finance Decision, and Related Compliance

### 1.1 Financing of Demand Response and Distributed Generation

As the CHPC/Build it Green protest (above) illustrates, there is some confusion over which of the seven pilots the Finance Decision allows to finance demand response and distributed generation. In their protest reply, the Joint Utilities did not agree with CHPC's interpretation that any of the seven pilots can finance DR and DG, as long as no credit enhancement is applied.

Section 3.4, D.13-09-044 indicates that DR and DG can be funded by pilots with third-party financing. However, at the same time this passage excerpted from D-12-11-015 (EE Portfolio Budget Decision) says credit enhancements can be used for EE only:

In the Guidance Decision, we said, "financing offerings need not be limited to energy efficiency, and can support all types of demand-side investment." We clarified this statement in D.12-11-015, when we stated, "To be clear, this statement was intended to apply to OBR or other types of pilot activity where the funding for the loans themselves come from sources other than ratepayers. For other types of financing, such as OBF, credit enhancements, etc., where [ratepayer] energy efficiency funds are being utilized, they should be used for energy efficiency projects only at this time, unless a budget contribution can be shared from other sources.

Six of the seven pilots framed in the Finance Decision have credit enhancements, making them ineligible to finance DR or DG given this prohibition of cross

subsidy. The decision identifies two specific types of credit enhancement, and allocates a credit enhancement budget for each of the six pilots (the six includes EFLIC, a sub-pilot of the single family loan program that has its own PIP). The decision leaves it to CAEATFA to determine the credit enhancement design for each of the pilots within its rulemaking. The only pilot specifically designed without any credit enhancement, or associated budget, is referred to in Section 5.5 of the Finance Decision as "On Bill Repayment for Non-residential Customers without Credit Enhancement." In this section, the Finance Decision specifically says that loans made through this pilot can include DR and DG.

There is no discussion in the Finance Decision of the potential to use, as CHPC argues, one of the six credit enhanced pilots, without a credit enhancement, for any reason, including to finance DG and DR measures. Since the entire loan or lease is credit enhanced, this includes the portion of the loan or lease that can be used for other improvement activities. (There is more discussion of this in the next section.) Therefore, the one pilot the Finance Decision identifies for financing of DR and DG – On Bill Repayment for Non-residential Customers without Credit Enhancement – is the only pilot that can finance DR and DG measures.

While the Finance Decision constrains financing of DR and DG to this one pilot, it does not specify any other limits on the financing of DR and DG. For example, the Finance Decision does not set limits on 1) which DR and DG measures can be financed, 2) the number of loans that can finance DR and DG through this pilot, or 3) the percent of a loan that can be dedicated to financing DR or DG.¹ For this reason we find there is no reason to limit the DG and DR measures that can be financed in the On Bill Repayment for Non-residential Customers without Credit Enhancement Pilot in the draft PIPs. The Joint Utilities will change their PIPs to reflect our findings.

# 1.2 Financing Eligible Energy Efficiency Measures

There seems to be some confusion over exactly which costs and measures a loan can finance.

We seek to clarify two aspects here:

First, the Finance Decision requires that a minimum of 70% of any loan or lease made through one of the six credit-enhanced pilots consist of eligible energy efficiency measures (EEEMs). The decision defines EEEMs as measures that have

<sup>&</sup>lt;sup>1</sup> This list is illustrative and not exclusive.

been approved by the Commission for a utility EE rebate and incentive program – though a borrower need not use a rebate or incentive.

The Finance Decision allows use of up to 30% of the loan or lease amount for costs that support the retrofit. *The entire loan or lease, including both types of costs, is credit enhanced.* The Finance Decision rationale for allowing this category of costs, explained on Pages 30-31, is this:

We find that customers may be more likely to add EE projects while undertaking other improvement activities. Therefore, for purposes of the pilot period, the Commission finds it reasonable and adopts a requirement that authorized EE pilot program financing qualifying for CEs must apply a minimum of 70% of the funding to Eligible EE Measures (EEEMs). Therefore, financing eligible for CEs may include funds for non-EEEMs totaling up to 30% of the loan.

The Finance Decision also says: "Many related improvements may support EE or be necessary to maximize the benefits of EE improvements (e.g., asbestos removal, concrete boiler pads.)"

Some stakeholders have informally requested more information on what costs can be financed in the up-to-30% of the loan or lease, which the Finance Decision calls non-EEEMs. Given the Finance Decision stance of financing "related improvements," and "other improvement activities" to "support" and make it more "likely" that customers accomplish EE retrofits, it seems prudent to take a flexible stance here, and monitor the need for and uptake of non-EEEMs, as the Finance Decision says, "for the purposes of the pilot period." We leave it to CAEATFA to further define allowable costs here in its rulemaking and pilot implementation, as needed to inform participating lenders, or for other purposes.

Second, the Joint Utilities have requested clarification on whether the Finance Decision intended to include DR and DG measures in this up-to-30% portion of the loan or lease, or exclude them. It is important to note that since the Finance Decision provides a credit enhancement for the entire loan or lease in the six credit enhanced pilots, including this non-EEEM portion – we find that DR and DG measures are not eligible in the up-to-30% portion of the loan or lease at this time. This should be clearly stated in the PIPs.

# 2. Protest Regarding Multi-Family Pilot

As explained in Section 1 above, the Finance Decision makes clear that DG measures such as Solar Domestic Hot Water (DHW) are not eligible in the six

credit enhanced pilots including the Multi-Family pilot.<sup>2</sup> In addition, Public Utilities Code Sections 2851(b) and 2863(b) lay out the funding limits for the California Solar Initiative-Thermal Program, which supports both natural gas-displacing and electric-displacing DHW technologies.

However, the protest raises concern about the success of our small (\$2.9 million) Multi-Family pilot. CHPC and Build it Green say in their protest that these systems are commonly recommended for multi-family retrofits, result in substantial savings, but require substantial upfront cost. In their protest response, the Joint Utilities say the savings from DHW systems are an important element of a multi-family retrofit and that the Commission should allow these systems, without credit enhancement, in the Multi-Family pilot. According to the joint IOU protest response: "Clearly, the multifamily customer market segment has specific issues to address in making energy efficiency projects viable, and the savings from the solar DHW may help overcome some of those barriers. If solar DHW is allowed by the Commission in this pilot, the Joint Utilities could assess the impacts of this exemption and recommend a longer-term solution . . ." The protest response recommends the Multi-Family PIP add DHW without credit enhancement.

According to the Finance Decision in Section 4.3, the Joint Utilities' expert finance consultant had recommended this pilot would accomplish roughly 25 projects. We are not sure how many of these projects would go forward without allowing financing for DHW given its importance and cost, as described in the protest and response. Given the limited nature of this pilot, and the fact that it may be difficult to identify viable and comprehensive EE projects absent solar DHW, solar DHW systems should be permitted in the Multi-Family pilot only, provided there is no credit enhancement of the DHW system. This applies to the pre-development phase of the pilot as well, given that no more than five projects will be financed and there is no ratepayer credit enhancement provided for those loans. We leave it to CAEATFA to determine in its rulemaking whether there should be no credit enhancement for the entire loan if a solar DHW system is financed, or for just the portion of the loan that the solar DHW system makes up.

<sup>&</sup>lt;sup>2</sup> Financing Decision, at § 3.4: "For other types of financing, such as OBF, credit enhancements, etc., where [ratepayer] energy efficiency funds are being utilized, they should be used for energy efficiency projects only at this time."

# 3. Program Implementation Plan Non-Compliance

### 3.1 Marketing, Education and Outreach

The Joint Utilities' PIPs are out of compliance because they fail to adequately recognize the Finance Decision's designation of the program administrator and implementer for the statewide ME&O program for 2014 and 2015 as the *statewide* coordinator for the finance pilots' ME&O. The Joint Utilities are *regional* implementers for ME&O programs, yet they have improperly asserted claims on funds that, per Commission decision, should go to the entity implementing statewide ME&O programs.

Each PIP has a section on ME&O, as required by the Finance Decision, as well as many other references to outreach, training, and partnerships. These plans show IOU-led local or regional marketing tactics, such as working through non-finance IOU programs, account executives and existing contractors. The budgets in the PIPs allocate the marketing funds to each of the Joint Utilities to perform these and related tasks. The plans position the Joint Utilities as the marketing leads. The PIPs mention CCSE, but only as an entity the Joint Utilities will coordinate with. The PIPs do not elaborate on how the Joint Utilities will integrate their regional ME&O activities with CCSE's statewide efforts and the Energy Upgrade California brand. For example, in a section on program partners, the PIPs say: "The IOUs and CAEATFA will coordinate with CCSE to ensure that the marketing of financial products is done in coordination with the Energy Upgrade California statewide marketing brand campaign."

The Finance Decision provides a short history of the Commission's efforts to consolidate demand side marketing efforts. For instance, the Guidance Decision (D.12-05-015) on the 2013-2014 Energy Efficiency portfolio moved to leverage ME&O activities into one integrated approach, and move away from separately authorized marketing and outreach programs, in part to eliminate duplicative and potentially contradictory efforts and spending, as discussed in Section 10 of D.13-09-044. The Guidance Decision also directed the Joint Utilities to consolidate marketing efforts using the brand "Energy Upgrade California," to create a common umbrella platform for demand side activities for residential and small business customers.

Section 10 of D.13-09-044 discusses the "natural synergies" between the ME&O needed for the finance pilots and under the Energy Upgrade California platform, given financing is a strategy to reduce the first cost barrier to taking demand side management action.

In a separate proceeding, D.13-12-038 ultimately designated CCSE as the program administrator and implementer for the statewide ME&O program for 2014 and 2015. The Finance Decision acknowledges this pending decision on Page 85:

The Commission is currently considering statewide ME&O budgets and plans for "Energy Upgrade California," in 12-08-007 et al. Although the outcome of those proceedings is currently unknown, we think it makes sense to coordinate marketing efforts discussed in this proceeding with the larger umbrella platform the Commission is expected to adopt therein, subject to some specific direction as to these pilots.

The Finance Decision section on marketing goes on to authorize funds for finance marketing, and orders the Joint Utilities to "release" the funds for finance pilot promotion through the statewide EE ME&O efforts. The Finance Decision, in Section 10, was not able to directly name CCSE because of the pending marketing decision, but instead refers to the coordinator of statewide ME&O.

In furtherance of the goals of this decision, the Commission finds it reasonable to allocate up to \$10 million for customized ME&O. However, up to \$8 million of authorized EE pilot funds should be released by the Joint Utilities to explicitly promote the specific EE finance pilots authorized here through the statewide EE ME&O efforts, including integration of financing pilot information with the statewide umbrella outreach for all EE and demand side management programs. We also find it reasonable to direct the Joint Utilities to release up to an additional \$2 million to CAEATFA to perform contractor and FI outreach and training.

The Finance Decision allocates up to the entire marketing budget to CCSE net of what CAEATFA will need for its efforts to recruit and train lenders and train contractors. The PIPs must reflect this in the section on marketing (10.h), and other areas of the PIP, such as Table 6, Section 10.g., Table 12, etc. To facilitate this we have attached a high-level ME&O plan in Attachment A. The Joint Utilities shall replace Section 10.h in each of the PIPs with Appendix A.

The utilities, as directed by Commission decision, should allocate up to \$8 million in finance marketing funds to CCSE. We expect CCSE, as program administrator, to draw up an integrated statewide plan, with the collaboration and input of the Joint Utilities, CAEATFA and Commission, and drawing on the expertise of market research and best practices in this emerging area of marketing. We expect the plan will include multiple components, roles and responsibilities.

As called for in the Decision, CCSE's work here will be folded under the statewide ME&O effort and follow the governance structure and other tenets of

D.13-12-038, under the direction of Commission staff. CCSE shall file a Tier 1 Advice Letter to submit the plan for Commission staff approval by October 20, 2014.

Even before CCSE develops an ME&O plan, we anticipate that CCSE will need \$750,000 of these funds through 2015 to convene stakeholder meetings, develop the finance ME&O plan, and develop the contractor training. Depending on other tasks the ME&O plan assigns to CCSE, the Joint Utilities will release further budget allocations to CCSE. We also direct the Joint Utilities to release 5 percent of the \$8 million budget to fund their participation in the marketing plan development.

In order to facilitate CCSE's development of the ME&O plan ahead of pilot implementation, the Joint Utilities shall begin releasing payments to CCSE no later than 15 business days after the adoption of this Draft Resolution. The Joint Utilities shall continue to release to CCSE funds for work it will perform through 2015, including further tasks the ME&O plan assigns to CCSE. PG&E shall provide these funds through its existing contract with CCSE, including by adding Appendix A as CCSE's initial scope of work for this financing portion of the overall integrated statewide marketing, and updating it as necessary based on the results of the marketing plan.

### 3.2 Retrofits Financed without Rebates or Incentives

The Finance Decision makes clear on Page 30 in its definition of eligible measures that a pilot participant does not need to *use* an IOU rebate or incentive for a measure to be eligible: "EEEMs are measures that have been approved by the Commission for a Utility's EE rebate and incentive program, although the customer need not get an incentive or rebate to quality for the loan."

The IOUs have included in their PIPs certain requirements that are inconsistent with this direction. One example is this requirement in multiple PIPs:

For instances where projects do not take the rebate / incentive but participate in the financing pilot, the utility will apply any necessary data collection requirements and/or perform the equivalent post installation activities as required by the Commission. These may support savings associated with utility programs(s).

In this particular case, we think a requirement to submit to IOU inspections would eliminate any time-saving or other benefit a customer might obtain by foregoing a rebate or incentive. (This does not mean these projects are exempt from the need to provide data specified by the Data Working Group plan, and CAEATFA.)

Another example is in the Single Family Loan Program PIP:

For any project not participating in a CPUC-approved IOU/REN incentive program(s) the contractor must meet specific contractor eligibility requirements for the program that the installed Eligible Energy Efficiency Measures (EEEMs) are a part of.

There are no such requirements or limitations in the Finance Decision. Such limitations on projects that do not use rebates and incentives are out of compliance except as developed by CAEATFA in its future administrative action envisioned by the Finance Decision.

The Finance Decision does include a section on quality assurance and in it finds it reasonable to have minimum standards for qualified contractors and allows CAEATFA acting as the CHEEF to either adopt standards based on existing utility rebate programs, or include them with program rules it will develop. The Finance Decision also finds in this section that finance pilot data collection and required reporting will provide most of the information to ensure whether program participants, and the energy improvement projects, are sufficiently performing their functions.

Commission staff shall work with CAEATFA to explore options for developing quality assurance processes for projects that do not use utility programs, including data collection.

# 3.3 Integrated Demand Side Management (IDSM)

The Joint Utility PIPs all have a short section that says the finance pilots will support the CPUC's IDSM goals by coordinating with IOU IDSM programs. This PIP section also says that integration with other resource types including but not limited to water and air quality, "or other resource goals," will be fostered by allowing customers to use the up-to 30% portion of their loan or lease to finance them. This section in multiple PIPs refers to financing of "non-EE measures," even though as we have clarified above, only one pilot can finance DR and DG.

In a subsection on "Integration across resource types (energy, water, air quality, etc.)," the PIPs indicate: "Specific programs are to be determined based on discussion with appropriate program managers." It is not clear which programs this is referring to. In addition, a table is provided for listing non-energy-efficiency subprograms and the rationale for integrating across resource types. The table is left blank with an indication that is it not applicable.

There is even less information in some of the PIPs, and instead a reference to the marketing section.

A section on integration is standard in PIPs for building retrofit programs, audit programs, and other more traditional IOU programs. Energy Division management had requested the Joint Utilities customize these statewide finance program PIPs so they were organized to better present information on these pilots. As the Finance Decision shows on Page 85, the finance pilots are designed as a "key strategy to help reduce the first cost barrier to taking this type of demand side management action," and so to support traditional IOU building retrofit programs.

Integration of resource types is not an objective of D.13-09-044. In fact the term IDSM is not used in the 124-page decision, and the word "integration" is used only four times, twice in reference to data, once in reference to marketing, and a final time to describe the process of consolidating pre-development pilots under the CHEEF. The Finance Decision does not mention air quality, and does not directly address water measures.

In addition, as written, the section is vague and open ended - which invites misinterpretation and confusion. For the purposes of compliance and clarity, this section and any similar references should be eliminated from the PIPs.

# 3.4 IOUs Provide List of Eligible Energy Efficiency Measures

The Finance Decision directs each utility to make a list of EEEMs publicly available, including on the utilities' websites.

The information provided on the utilities' websites via links in the PIPs – including rebate catalogues - is not comprehensive. It is important to consider the needs of lenders and others who are taking a statewide approach. For instance it might be more effective to provide them with a single statewide measure list that identifies measures recognized across IOU territories by category, with easy-to-understand descriptions. Based on discussions with Commission staff, CAEATFA, lenders and others, the Joint Utilities are to provide a more appropriate list of EEEMs on their websites by August 31, 2014.

### 4. Miscellaneous Modifications

# 4.1 Updates Due to Delay

A number of elements of the PIPs are dated, and therefore unnecessary, since the pilots did not launch in early 2014 as planned:

- 1. Timelines for implementation of each pilot are out of date and need to be updated to reflect the timing of their implementation based on the number of months after CAEATFA receives Legislative budget authority. (e.g. A+ 1)
- 2. Due to the delay, budgets in the PIPs filed in 2013 reflect spending that has not occurred and so need to be updated. The Joint Utilities also need to provide a single statewide budget for each of the seven pilots in addition to the four IOU budgets that are currently in each PIP. The statewide budget for each pilot should be provided before, or just in front of, the individual IOU budgets, so that stakeholders can easily see spending statewide. The Joint Utilities shall provide a footnote to the statewide budget table for the direct implementation line item, identifying the tasks that that will be funded through that line item. The Joint Utilities shall list these tasks in order from those that will receive the largest share of that budget line item to those that receive the smallest share. (These tasks particular to these finance programs, instead of the typical spending categories specified in the Policy Manual.) In addition, the line item for marketing should include an asterisk and footnote that indicates marketing funds will be allocated according to a pending Commissionapproved plan.
- 3. The PIPs should reflect Energy Division's disposition of the Joint Utilities' workpaper on energy savings. (Energy Division determined there was not sufficient information to estimate the proposed energy savings and will evaluate them on an *ex post* basis.)
- 4. The PIPs should reflect disposition of the Data Working Group report, which the CPUC approved as filed.

#### 4.2 EFLIC PIP & Tariff

In addition to the changes described in 4.1 above, the following minor changes to the PIP, tariff, and associated customer agreement form are necessary for clarity, compliance and accuracy:

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### Section 9.a:

Sentence in the subsection on "Differences between the CHF and CHEEF EFLIC offering" should read: "PG&E will work with CHF and CAEATFA to ensure that the terms and conditions are as similar as possible."

Subsection on "Transition of the program from CHF to CHEEF," should include: "As part of its pre-development pilot work with CHF, PG&E will develop knowledge on processes needed to implement EFLIC. This knowledge will be captured in the form of an implementation guide and transferred to the CHEEF. This transfer of knowledge should help in making the CHEEF EFLIC launch smoother and faster by incorporating all the lessons learned from the CHF EFLIC pre-development pilot."

Table 6: Program Administration of Program Components, shall be edited so that the top row label is "customer application process."

The following definition of direct implementation costs for the EFLIC pilot shall be provided in a footnote under the budget table: EFLIC Pilot Implementation costs include Billing analyst support – direct interaction with lenders/servicers, Training of lender/servicers to utilize EFLIC functionality, EFLIC specific IT (lender setup, any necessary system updates) IT license fees (e.g. access to GXS third party interface services)Program management time on planning and design and project management – working with multiple stakeholders to design program parameters.

PG&E's EFLIC Tariff shall be slightly modified for clarity and compliance:

- Electric Schedule EFLIC Sheet 3 (and the analogous gas sheet) shall be reworded as: "If a Customer makes only partial payment on a Bill, the partial payment will be applied to the following components of the Bill according to the order listed below."
- Electric Schedule EFLIC Sheet 5 (and the analogous gas sheet) shall be reworded as Table 6, top row label: Change to customer application process: "If a Customer has exhausted attempts to resolve a dispute with the financial institution and PG&E, the Customer will be referred to the CPUC's Consumer Affairs Branch (CAB) for assistance through its dispute resolution process."

PG&E's Residential Loan Charge Customer Agreement shall be updated for clarity.

- Under #3, Partial Payments, the wording shall be: "If you make a partial payment on your utility bill, the partial payment will be applied to the following components of the utility bill in the order listed: (1) Utility charges, which include utility service and credit establishment charges; (2) Energy-related charges, which include charges based on energy consumption and tariff schedules; (3) Other applicable products and services charges, which include all other services billed by the Utility such as Loan Charges."
- Under #4, Overpayments & Prepayments, the wording shall be: "If you attempt to prepay PG&E, amounts over what is due are handled as an overpayment and will be applied to the amounts due in the future to PG&E for energy charges and will not be applied to future Loan Charges. If you want to prepay Loan Charges subject to lender terms and conditions, you must work directly with your Lender."

# 4.3 Formatting Problems in PIPs

Each page of Table 11 includes a row with detailed instructions for populating the table. The instructions need to be removed to save space and to make it easier to read the table.

# 4.4 Other Updates and Corrections

- Single Family Loan Program PIP: Remove duplicative information from Tables 12 and 14, and remove reference to "revolving credit" in Section 10.1;
- Off Bill Small Business Lease Providers Program PIP: Remove term "capital lease" from Section 9.a.i., and remove reference to incorrect pilot program in Section 12;
- Master-Metered Multifamily Program PIP: Remove reference to "installed life" from Section 11.c;

# **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the Draft Resolution was neither waived nor reduced. Accordingly, the Draft Resolution was mailed to parities for comments on May 23, 2014, and was placed on the Commission's agenda on June 26, 2014.

### **Summary of Comments**

Comments on the Draft Resolution were submitted by PG&E, SCE, SDG&E, SoCalGas, Office of Ratepayer Advocates and CCSE on June 16 and 17, 2014. Reply comments were submitted by PG&E, SCE, SDG&E and SoCalGas jointly, and CCSE.

The joint utilities disagree with many of the findings and conclusions in the Draft Resolution. The Office of Ratepayer Advocates strongly disagreed with a finding related to financing of DG and DR. The California Center for Sustainable Energy supported the findings on the Decision's intent for marketing, but offered suggestions for financing of DR and DG, and clarification of other aspects related to measures.

# Comments on Marketing from IOUs

The joint utilities rejected the Resolution's clarification of the intention of the marketing section of the Decision (Section 10) for a number of reasons.

The joint utilities believe it is the intent of the Decision to fund the IOUs to perform local marketing in coordination with statewide ME&O efforts directed by D.13-12-038. SCE asserts that the Resolution seeks to take all of the finance ME&O funds and allocate them to CCSE for conceptual statewide messaging, when local marketing is essential, and the statewide finance pilot marketing is already funded by the statewide ME&O decision. While the Joint Utilities support coordinating their local marketing with CCSE's statewide efforts, they see these as two separately funded efforts. In reply comments, PG&E supports SCE's assertion that D.13-12-038 already funds CCSE to perform finance marketing.

The Sempra Utilities make detailed arguments about the intent of the Decision to allocate the marketing funds to IOUs, pointing to use of terminology authorizing the IOUs to "release" funds, and the fact that the IOUs did not find any instances of specific mention of CCSE in the Decision, or dispensation of funds to CCSE, despite the fact that CCSE was already publicly named as the statewide implementer for ME&O in D.12-05-015, the Guidance Decision. SDG&E acknowledges that sections of the Decision address the allocation of funds for statewide marketing activities such as Conclusion of Law 49, dicta at pages 85 and 86 – but the emphasis here, SDG&E argues, is on coordination.

SCE emphasizes that the IOUs have autonomy to develop their own marketing budgets and plans as they are responsible for the success of the pilots, and argues that three decisions (the Finance Decision, the Guidance Decision, and D.13-12-038, the statewide ME&O Decision) affirm the "right" of the IOUs to administer local marketing.

PG&E expressed concern that the Draft Resolution delegates to CCSE, CPUC obligations to establish marketing budgets including for CCSE itself, which PG&E believes is inconsistent with the ME&O decision. Further, PG&E asserts that the Draft Resolution requires CCSE to "supervise" (P. 12, OP8) the IOUs, and the IOUs to work under CCSE's direction. This is inconsistent with past CPUC decisions, PG&E asserts, including D.13-04-030, (P. 13). This conflicts, according to PG&E, with the relationship established by the statewide ME&O decision's requirement that PG&E contract with CCSE and serve as its "fiscal manager." SDG&E believes the direction to CCSE to develop an integrated statewide plan with assigned roles and budgets is inconsistent with Section 3 of the CCSE marketing plan (Pages 85-94) adopted by D.13-12-038. In reply comments PG&E asserts that the authority the Draft Resolution gives CCSE is unlawful.

In related recommendations, PG&E suggests that a marketing plan should be developed using a formal voting process, and amended to CCSE's contract. The IOUs and CCSE should have joint responsibility to develop a comprehensive marketing plan, PG&E argues, including roles and responsibilities for outcomes of outreach efforts.

Each of the IOUs identifies the marketing budget they believe the Decision allocated them, for a total of \$8,243,090. The Sempra Utilities appear to propose giving more than half of their marketing budgets to CCSE, based on their high

level assessment of what they will need for local marketing. PG&E calls for immediate release of 20% of funds to support its early marketing effort, as well as the \$750,000 the Draft Resolution directed the IOUs to release to CCSE for initial tasks the Draft Resolution identified for CCSE. SCE requested \$1.7 million in marketing funds and further guidance on its funding if the CPUC moves to allocate marketing funds to CCSE. In its reply comments, SCE supports PG&E's request for immediate release of a portion of local marketing funds.

In their joint reply comments, SDG&E and SoCalGas reaffirm these requests that the CPUC allocate local marketing funds for IOUs, and each identify a budget amount. SCE concurs in its reply comments asserting that the adopted Resolution must include a budget for IOU administered local marketing rather than a general marketing budget to be parsed out in what they describe as an undefined process.

CCSE in its reply comments supports utility requests for immediate marketing budget authorization, recommending use of PG&E's formula for 20% of the proposed "initial" allocations, or \$2 million total to the IOUs to facilitate their involvement in marketing plan development and any early pilot marketing such as for the pre-development phase of PG&E's EFLIC pilot. The balance of funds should be allocated through the collaborative process in order to develop an integrated statewide plan, according to CCSE.

CCSE in reply comments agrees with SoCalGas and other IOUs that the planning process will require CPUC staff oversight and engagement.

The Sempra Utilities request that the Draft Resolution direct CCSE to provide a marketing plan for the finance pilots via a Tier II Advice Letter so it can be reviewed.

SDG&E and SoCalGas argue that the finance pilot PIPs do in fact recognize CCSE as the implementer of the statewide ME&O program, and point to a table and a section where CCSE is mentioned.

# **CCSE Comments on Marketing**

CCSE agreed with the Draft Resolution that the IOU PIPs are not in compliance with Commission decisions on ME&O and the financing pilots, and supported the Draft Resolution clarifications and directives for PIP amendments.

CCSE argues that the Guidance Decision set a new vision for marketing under a unified statewide platform and brand that spans across demand-side management opportunities. CCSE asserts that the Guidance Decision while choosing the Energy Upgrade California (EUC) umbrella brand specifically stated its intent to "eliminate duplicative and potentially contradictory spending on separate marketing by utility or by program type."

The statewide ME&O decision, D.13.12.038, went on to implement this vision, CCSE asserts, while Resolution E-4611 approving outreach plans for GHG revenue return did as well. The statewide approach under EUC set out in the Guidance Decision, CCSE argues, clearly applies to future consumer-facing programs including the statewide finance pilots - as directed by the Decision.

CCSE believes the collaborative approach for marketing plan development described in the Draft Resolution is "ideal." CCSE believes rules and procedures for decision-making will be needed, that there are roles for statewide and local actors, including IOUs, and that Commission staff should ensure that those assigned budgets and responsibilities in the plan share program goals "in alignment with roles, responsibilities and budgets outlined in the plan." In its reply comments, SCE questions the intent of the passage, and thinks each implementer should have its own appropriate goals.

SDG&E raises anti-trust issues and together with SoCalGas it requests the Commission provide explicit language in the Draft Resolution requiring the IOUs and CCSE to engage in a joint cooperative process regarding the allocation of the Financing Pilot marketing funds to be supervised at all times by Commission staff. SCE agrees in its reply comments. In reply comments, SDG&E and SoCalGas suggest specific language for insertion into the Draft Resolution.

CCSE accepts that PG&E can't begin releasing funds to CCSE until 15 business days after the final Resolution. SDG&E and SoCalGas in their reply comments agree with allowing PG&E to have 15 business days.

# **Marketing Reply Comments**

In reply comments PG&E disagrees with CCSE that the PIPs are not in compliance and emphasizes its belief that D.13-09-044- and D.13-12-038 do not authorize marketing funds or marketing plan leadership to CCSE but just direct coordination between statewide and local marketing. PG&E requests in reply comments an initial budget of \$824,000 for local marketing and a collaborative

process that gives CCSE less authority to assign budgets, including its own, and roles.

SDG&E and SoCalGas in joint the reply comments agree the IOUs and CCSE should collaborate but worry piloting a collaborative approach will unnecessarily delay marketing launch.

In its reply comments CCSE disagrees with what it sees as a "perceived dichotomy" the IOUs draw between local or regional ME&O on the one hand, and statewide ME&O on the other. CCSE points to SCE's comments as embodying this by describing statewide ME&O as the "general concept and availability of finance solutions," with CCSE developing messaging and a branding platform for the IOUs to use in their "targeted, program-specific, action-driven and often customized marketing activities," and data driven efforts "directed at customers within each service territory." CCSE argues this dichotomy was rejected by the Commission in D.13-12-038, which describes statewide ME&O as including multiple channel delivery and leveraging community partnerships. Further, CCSE asserts the Commission declines to limit the scope of statewide ME&O channels and tactics in D.13-12-38.

As such, CCSE argues statewide ME&O as approved is a multi-layered social marketing program including education and outreach with on-the-ground outreach through events, community organizations, and retailers that is designed to build a statewide ME&O infrastructure to market programs under the EUC brand. CCSE argues that the IOU comments fail to make a case that D.12-05-015 supports local marketing rather than an integrated, coordinated approach.

CCSE maintains that development of an ME&O plan should consider the full range of market actors including contractors, real estate professionals, lenders, retailers and community based organizations to evaluate which can best support the pilots. The statewide ME&O effort may be better placed to manage these actors, CCSE asserts, given they aren't organized by IOU service territory.

CCSE disagrees with IOU comments that cite D.12-05-015 as giving them a "right" to administer local marketing efforts. Instead, CCSE notes that D.12-05-015 says only that "nothing in this section is intended to prevent utilities from continuing to conduct local and targeting marketing . . . ".

CCSE rejects the IOU assertion that the statewide ME&O budget authorized in D.13-12-038 includes a budget to promote the financing pilots. While the dicta on Page 64 of D.13-12-038 was modified from the original Proposed Decision, CCSE asserts, OP 2 does not include financing. However, CCSE notes that it will require significant funding to implement the integrated ME&O called for in D.13-09-044.

Further, CCSE disagrees with SDG&E that the 2013-2014 EUC marketing plan has "multiple references to the inclusion of financing pilots." Instead, CCSE believes the plan made no references to the financing pilots, which were in development when the plan was written in early 2013. Instead it referred to financing generally as administered by local governments.

CCSE disagrees with SoCalGas' assertion that the Draft Resolution is inconsistent with Section 3 of the EUC marketing plan when it directs collaboration for finance marketing plan development. CCSE points out the D.13-12-038 did not adopt that section of the statewide EUC plan, that D.13-12-038 is the authority on governance, budget, objectives, etc. for the statewide ME&O effort, though does not necessarily speak to governance of finance pilot marketing.

### Comments on DR and DG

The Office of Ratepayer Advocates (ORA) recommends the Draft Resolution include DG and DR as eligible measures within the maximum 30% of the loan that can be used to finance non-EEEMs. ORA argues that the Decision does not prohibit their inclusion and that they fit the Decision's description of "related improvements" that "may support EE" and can "maximize the benefit of EE improvements." ORA argues that the Decision takes a "flexible" approach to allowable measures in its framing on Page 31:

We find that customers may be more likely to add EE projects while undertaking other improvement activities. Therefore, for purposes of the pilot period, the Commission finds it reasonable and adopts a requirement that authorized EE pilot program financing qualifying for CEs must apply a minimum of 70% of the funding to Eligible EE measures (EEEMs). Therefore, financing eligible for CEs may include funds for non-EEEMs totaling up to 30% of the loan total.

Further, ORA asserts that the Commission should prioritize financing of DR and DG over other more cosmetic improvements.

ORA detailed an array of California policies prioritizing demand-side resources, and calling for their integration into unified program offerings, ranging from the California Energy Action Plan to the California Long-term Energy Efficiency Strategic Plan, and a DR proceeding. Further, ORA asserts that it would not be a precedent to include DR and DG as it proposes, since EE funds have been used for integration in the case of the \$8.2 million IDSM program.

ORA believes the finance pilots are a low-risk vehicle to begin addressing this long-overdue policy gap, and that inclusion of DR and DG in each pilot could promote greater market penetration. The HERO program and the Sonoma County Energy Independence Program both have high levels of customer uptake, ORA argues, and they both have clean energy financing offerings. ORA believes the Sonoma Program's loan applications dropped of sharply during a one-month period when they tried to limit financing to EE only.

ORA calls for the Draft Resolution to require the IOUs to track the costs and measures that are financed to ensure the appropriate measures are designated for the minimum 70% of a loan and the maximum 30%, including closely tracking the costs associated with EEEMs and allowed to be included in the 70%, such as design and engineering, audits, etc. SCE in its reply comments says this requirement is too granular and that it prefers streamlined reporting. SDG&E and SoCalGas in reply comments question whether the proposed tracking would be consistent with current reporting protocols and prefer to consider whether CAEATFA should include it as part of its quarterly reporting.

CCSE argues that the finance pilots, including EFLIC, need to finance DR and DG without credit enhancements in order to be flexible and attractive to consumers investing in energy management. CCSE believes consumers do not compartmentalize DSM approaches. In its reply comments, PGE recommends these two requests be denied and says a petition for modification of the Decision would be required for both. SoCalGas and SDG&E in their reply comments disagree with CCSE and say the Decision does not explicitly allow the financing of DR and DG if no credit enhancement is provided. Moreover, financing DR and DG through the EFLIC pilot would violate the cross-subsidization policy. SCE in its reply comments agrees the CCSE DR and DG proposals would require a petition to modify the Decision, and are premature given there was no substantial discussion of adding DR and DG in the proceeding.

### Comments on DR and DG Measures

PG&E argues that without clear definitions of DR and DG the finance pilots are open to abuse by projects that finance technologies that are not approved under the current IOU customer DR and DG programs, such as wholesale generators, diesel back-up generators, gas-fired generators, etc. Instead, the Draft Resolution should adopt the definitions in the draft PIPs, which limit DR and DG measures to those used by IOU programs, unless and until a stakeholder process determines other measures should be eligible. PG&E believes that though the Decision offers no definitions or limits on DG and DR measures, its proposal is a reasonable interpretation of CPUC intent. SCE agrees that the Draft Resolution should use existing definitions of DR and DG measures in order to help the IOUs implement the new pilots without the possible confusion of having duel sets of criteria developed by the IOUs and CAEATFA. SDG&E also believes it is logical that the finance pilots follow the Commission's guidelines for DR and DG projects and that any other measures be developed via a stakeholder process. This would ensure quality and prevent financing of technologies that contrast with EE and emissions objectives. SDG&E believes the terms "DR" and "DG" were incorporated after the decision comment period and as such the Draft Resolution should provide a definition of them. SoCalGas supports SDG&E comments. In reply comments, SCE supports SDG&E and PG&E comments.

#### **Comments on EEEMs Allowed Costs**

SDG&E raises concerns that constraints on the costs associated with EEEMs and could significantly constrain the pilots. The Draft Resolution had identified a pending Commission staff approved guidance document on measure costs to be used as a guide for which costs to allow in the 70% category as associated with EEEMs. SDG&E asks that the Draft Resolution include more specific information on the intent of the Decision in this regard, and to allow IOU comment on the document. PG&E agrees, and questions the purview of Commission staff to set these requirements on the pilots. PG&E recommends the Draft Resolution approve the definition used in the PIPs. SCE in its reply comments agrees that IOUs should be included in discussions regarding such pilot requirements.

#### **Comments on EEEMs**

CCSE argues that the eligibility of energy efficiency measures for financing must be comprehensible and transparent for lenders. Further, CCSE asserts that the Draft Resolution should clarify that the eligibility of an EEEM for financing without the use of a rebate or incentive should not be dependent upon whether

or not the customer has received a rebate or incentive for that EEEM in the past. Any IOU verification requirement to related to this could potentially derail project financing. In its reply comments, PG&E agreed with CCSE saying it would reduce processing time and administrative burden. PG&E added the caveat that CAEATFA regulations should protect vulnerable homeowners from contractors recommending uneconomical equipment replacements and the Commission should clarify that incremental energy savings related to these projects can count towards IOU savings goals for the pilots. SCE in its reply comments said it does not prohibit customers that have received a rebate from participating in programs as long as they don't seek a more than one rebate for the same installed measure. In their reply comments, SDG&E and SoCalGas do not support CCSE's proposal. If the final Resolution includes it, they request it clarify whether any savings from a measure replacing a rebated measure prior to the end of the "non-rebate period" would be attributed to the IOUs.

Finally, CCSE supports the Draft Resolution directive for the IOUs to provide a single statewide measure list with easy-to-understand descriptions, and recommends the Commission further direct the IOUs to include all information regarding the specifications of each EEEM. Without public information on these technical specifications, projects could lose eligibility for financing. PG&E in its reply comments reports that it already provides these technical specifications. SDG&E complains that it fulfilled Decision requirements and that the Draft Resolution should not characterize its posted measure list as "inadequate." In its reply comments, SDG&E and SoCalGas say they are not aware of specific problems with the measure lists. They suggest a stakeholder forum to understand "usergroup needs," rather than a broad Commission directive that might yield too much detailed information.

# IOU Verification of Projects Not Using a Rebate or Incentive

CCSE agrees with the Draft Resolution that a requirement to submit to IOU inspections would eliminate any time-saving or other benefit a customer might obtain by foregoing a rebate or incentive. PG&E and SCE believe it is necessary for the IOUs to use existing quality control procedures on financed projects to collect data, review projects after installation, verify savings, etc. – even when the projects do not use IOU rebates or incentives. In its reply comments, PG&E agreed with SCE. SCE notes that data will be needed for the CPUC to determine energy savings attributable to all financed projects and that if the CPUC is concerned about the IOU procedures causing delay, it should consider modifying the process for all projects rather than developing a different standard

for one subset of projects. SDG&E argues that the PIP requirements for IOU verification, etc. are actually consistent with the authorized Data Working Group final report, and in reply comments with SoCalGas note that the data would be used for EM&V and provide quality control on par with other programs. If CAEATFA is to develop another standard for qualified contractors and reporting, SDG&E recommends that the IOUs be included in the discussion to ensure the data collection and quality control is consistent with all ratepayer-funded programs. SoCalGas supports SDG&E's comments.

#### **IDSM**

PG&E believes that the IDSM portions of the PIP support broad CPUC IDSM policy, are compliant, and should be retained. SDG&E notes that the inclusion of DR and DG measures in one pilot and one DG measure in another are examples of IDSM. It would be inconsistent with other programs and EE overarching objectives, SDG&E argues, to eliminate the IDSM sections of the PIP when water measures that are not EEEMs need to be coordinated to respond to the drought. SoCalGas supports SDG&E comments.

# **PIP Compliance**

SCE requests that the Draft Resolution show that IOU PIPs were in fact compliant in terms of ME&O, DR and DG measure definitions, data collection and quality control for projects that are not rebated or incented, and regarding the IDSM section. PG&E in its reply comments supports SCE and notes that the IOUs did their best to interpret the Decision and followed the correct stakeholder process. In addition, SCE said the IOUs did not inform the Commission that they were unable to file compliant PIPs – instead, the IOUs were unable to agree with Energy Division interpretations of the Commission decisions.

### **IT Advice Letter**

SoCalGas requests that the Commission remove the Decision's requirement that IOUs file a Tier II Advice Letter regarding IT system changes the IOUs had estimated would cost some \$8 million. Due to delays in the start of the pilots, they believe the IOUs should be allowed to report on these costs in another manner that isn't tied to the timing set in the Decision. SCE agrees in its reply comments.

# PIP Corrections and Approval

SoCalGas requests that final approved PIPs be attached to the adopted Resolution and implemented immediately, rather than requiring the IOUs to re-submit PIPs within 30 days. SoCalGas attached to its comments a partial copy of what it refers to as an "informal data request response," which it says are redline and clean versions of PIPs (not including EFLIC) supplied to Commission staff in late May, 2014. It requests the adopted Resolution attach and approve these. (PG&E requests in its reply comments to file a Tier 1 Advice Letter for approval of its EFLIC tariff as described in the Resolution.) SCE and PG&E support SoCalGas in reply comments. SoCalGas believes the Draft Resolution leaves many PIP issues unresolved pending "broad instructions" in the Draft Resolution that might take additional time for IOUs to interpret as they update PIPs, and for Commission staff to review in re-submitted PIPs. In lieu of attaching the final approved PIPs to the Final Resolution, SoCalGas requests the PIPs first be amended as needed and attached in final format so they can be adopted and implemented in a more timely manner.

SoCalGas believes the Draft Resolution requirement that Commission staff approve any further changes to the finance pilot PIPs be struck as it is an alteration of existing processes that is unnecessary, unclear, and could interfere with regulatory compliance requirements. SCE and PG&E agree in its reply comments. In lieu of striking the requirement, SoCalGas believes it should be caveated to be subject to staff time and availability.

SoCalGas believes the Draft Resolution does not resolve matters that the IOUs requested it resolve, and SCE agrees in its reply comments. SoCalGas reports the "informal data request response" supplied to Commission staff contained PIP improvements discussed with Energy Division that are not addressed by the Draft Resolution. SoCalGas requests that this be remedied since Order No. 2 indicates the IOUs should not make changes to the PIPs other than those specified in the Draft Resolution. SCE agrees in its reply comments. SoCalGas requests Section 4 of the Draft Resolution include several small changes.

#### **Discussion of Comments**

# **Discussion of Marketing Comments**

We disagree with the IOUs' assertion that it is the intent of the Finance Decision to fund them to perform local marketing that coordinates with statewide ME&O funded separately. CCSE share's our rejection of this view.

First, we are not compelled by the argument that the Decision awards the marketing funds to the IOUs.

SoCalGas is correct that the first section of OP 1 orders the IOUs to "release" funds for IOUs' own use. The next section orders "release" of funds to CAEATFA. The use of the term "release" does not alone signify that the funds go to an entity other than the IOUs. However, the operative section of OP 1 does not direct the funds to the IOUs. It directs:

(1) up to \$8 million to be expended in coordination with the statewide ME&O plan under consideration in Application 12-08-007, et al., and (2) up to \$2 million to the CHEEF to perform non-duplicative ME&O for contractors and financial institutions.

Rather the order uses a passive voice "to be expended," which is consistent with the dicta, which does not, as SoCalGas also points out, name CCSE directly. Instead the Decision on Page 85 acknowledges that the Commission was simultaneously considering EUC budgets and plans under another proceeding. Though the Guidance Decision had already named CCSE as the coordinator of statewide ME&O, D.13-09-044 defers to the pending ME&O decision, and instead refers to statewide ME&O, rather than a particular contractor or entity. As such, the Finance Decision allocates the marketing funds to the statewide ME&O administrator ultimately named in D.13-12-038. The Draft Resolution finds the PIPs out of compliance because they do not recognize CCSE as this entity.

Further, Finance Decision Finding of Fact (FOF) 49 allocates up to \$10 million for customized ME&O as follows:

Up to \$8.0 million to be released to specifically advance the newly authorized EE financing pilots as incorporated into, and complementary of, the statewide EE ME&O efforts;

The dicta on Page 86 is clear in its use of the words "by" and "through:"

... up to \$8 million of authorized EE pilot funds should be released by the IOUs to explicitly promote the specific EE finance pilots authorized here through the statewide EE ME&O efforts, including integration of financing pilot information with the statewide umbrella outreach for all EE and demand side management programs.

SoCalGas argues that the use of the term "customized ME&O" in FOF 49 signifies the Decision's intent to fund the IOUs' local marketing. We agree with CCSE that the Guidance Decision set a new vision for marketing under a unified statewide platform and brand in order to "eliminate duplicative and potentially contradictory spending on separate marketing by utility or by program type." We further point to the fact that the Finance Decision in Section 10, on marketing, describes the Commission's intent to move to a statewide, integrated approach to marketing:

We acknowledge our previous decision to leverage ME&O activities into one integrated approach, which includes multiple demand side options depending on the needs of the consumer. Our intention is to move away from separately authorized marketing and outreach programs, in part to eliminate duplicative and potentially contradictory efforts and spending.

SCE argues that the statewide ME&O effort under the Energy Upgrade California (EUC) brand already has a budget for marketing the statewide finance pilots. CCSE rejects this assertion saying that OP 2 of D.13-12-038 does not address financing, and that the plan only mentions financing generally, as related to local government. We agree with CCSE. It is our understanding that there is no line item in the statewide ME&O budget dedicated to the finance pilots. Further, we think this line of reasoning – that there are separate budgets for local finance marketing to be performed by the IOUs, and statewide finance marketing under EUC – is faulty.

CCSE calls this a "perceived dichotomy" that it says the IOUs inaccurately draw between local and statewide ME&O, where statewide efforts are limited to "general concept and availability of finance solutions," as well as development of messaging and a branding platform for the IOUs to use in the targeted and customized activities. CCSE argues that the Commission rejected this dichotomy in D.13-12-038, which describes statewide ME&O as including multiple channel delivery, leveraging community partnerships, etc. We agree, and note that in this way D.13-12-038 continued the vision of the Guidance Decision and D.13-09-044 for an integrated statewide approach to marketing. We also agree with CCSE that Resolution E-4611 went on to implement this vision for the

<sup>&</sup>lt;sup>3</sup> D.12-05-015 at 300-302

marketing of the revenue return related to GHG, and that the approach clearly applied to future consumer-facing programs including the statewide finance pilots.

Consistent with their arguments on Finance Decision intent, the Joint Utilities have each identified marketing budgets and called for allocation of those funds to them, including some immediate release of funds to fuel their participation in formation of a marketing plan, etc. CCSE supports immediate release of 20% of the budget request, or \$2 million.

Given our findings above, we are hesitant to authorize marketing funds to the IOUs unless and until an evidenced based marketing plan indicates exactly how the funds will be used and that the IOUs are the best entities to perform those roles. We agree with CCSE that development of an ME&O plan should consider the full range of market actors, including contractors, real estate professional, lenders, retails and community based organizations to evaluate which can best support the pilots.

CCSE in its support of immediate and partial marketing funding for IOUs points to the pre-development phase of the EFLIC pilot and other early marketing needs, and the IOUs need for funding to underwrite their participation in plan development meetings. We authorize 5 percent of the \$8 million marketing budget to fund IOU participation in marketing planning during the summer and fall of 2014.

The IOUs raised issues as to the structure of CCSE program administration which we address by following D.13-12-038 and its governance structure. IOUs should file in that proceeding if they disagree with those tenets. We concur with the suggestion that CCSE file the marketing plan by Advice Letter for CPUC approval. We have removed text from OP 7 and Page 12 that PG&E complained of.

PG&E has suggested changes or additions to the proposed collaborative process for marketing plan development including a formal voting process, IOUs jointly leading the effort with CCSE, and attaching the plan to CCSE's contract. CCSE also believes rules are needed for the collaborative meetings. SCE and CCSE expressed thoughts about the alignment of roles assigned in the plan and responsibilities for goals.

We decline to stipulate meeting rules, though we concur that Commission staff must oversee the process and plan, and set the tone for meetings.

We agree with PG&E, CCSE and others that it is appropriate for PG&E to have 15 business days from adoption of the Resolution to begin releasing funds to CCSE.

# Discussion of DR and DG Financing Comments

We agree with ORA that the Finance Decision does not explicitly prohibit the financing of DR and DG measures in in its description of costs allowed in the 30% portion of the loan. We also agree with CCSE and ORA that the increased flexibility of financing DG and DR could meet customer needs and promote market penetration.

However, given the Guidance Decision refers to credit enhancements as a cross subsidy, and given our need to further investigate any Public Utilities Code limitations on further funding of solar technologies, we decline to allow DR and DG financing in the credit enhanced pilots at this time. Because the Finance Decision does not speak directly to CCSE's proposal for non-credit-enhanced DR and DG to be finance in all pilots, we decline to address it at this time. Further, we agree with SCE that additional stakeholder input would be beneficial.

### Discussion of DR and DG Measures Comments

We acknowledge the Joint Utilities' requests that the definitions of and limitations on eligible DR and DG measures in the PIPs remain. However, we decline to cap eligibility given these are pilots and should be flexible. We also decline to define eligibility in the PIPs given the SoCalGas' concern about whether the "broad" instructions in the Draft Resolution can be translated into amended PIPs in a way that will pass Commission staff review. We too are concerned that the wording of such definitions might be unclear or allude to caps as the draft PIPs do. We think it is implicit that technologies allowed in existing IOU programs are eligible.

Commission staff in consultation with CAEATFA can consider whether it is prudent for CAEATFA to make ineligible the technologies including diesel back-up generators named in comments. However, this should be done in a way that does not cap or limit eligibility for other DR and DG technologies.

The IOUs shall not develop sets of criteria that conflict with or are alternate to the approach developed by the CPUC and CAEATFA, as SCE suggested.

### **Discussion of EEEMs Allowed Costs Comments**

We agree with PG&E that the PIPs should use their existing definition of costs to allow in the 70% category of a loan, as associated with EEEMs. It is our understanding that this definition is drawn from a draft version of the pending Commission staff approved measure cost document. Given SDG&E's concerns that using this document as a guide will constrain the pilots, we remove this requirement.

#### **Discussion of EEEMs Comments**

We agree with CCSE, SCE and PG&E that the eligibility of an EEEM for financing without the use of a rebate or incentive should not be dependent on whether or not the customer has received a rebate or incentive for the EEEM in the past. We defer to the CPUC impact evaluation to determine any incremental savings in these situations and the formula for assigning them to the IOUs. We will consider PG&E's caution that contractors might recommend to homeowners uneconomical equipment replacements in our discussions with CAEATFA on quality control for projects that do not use IOU rebate or incentive programs.

We share CCSE's concern that if the essential information on measures is not available to lenders and others, in an easy-to-understand format, projects could lose eligibility for financing. The technical specifications of measures could be essential information. Commission staff will consider this in the process already proposed here for informing IOUs on how to improve the list of EEEMs on their websites.

# Discussion of Verification of Projects Not Using a Rebate or Incentive Program Comments

We agree with CCSE that it would have a stifling effect on projects that do not use IOU rebates or incentives if they had to submit to the IOU inspections and other PIP requirements. We disagree with PG&E and SCE that it's necessary for the IOUs to intervene in these projects. We agree with SCE and SDG&E that these IOU efforts yield data for evaluation, assessment of energy savings, and provide quality control on par with other programs. However, as described in the Draft Resolution and allowed by the Finance Decision, CAEATFA in

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conjunction with Commission staff will be developing alternative processes that accomplish the same ends and will consult IOU expertise as needed.

### **Discussion of IDSM Comments**

Due to the vague nature of this section of the PIP, and the potential for misinterpretation of it, we stand by our directive to remove it, especially given the confusion in interpretation of the Finance Decision that is evidenced by this Draft Resolution. We agree with SDG&E that the financing of DR and DG is IDSM, and think those aspects of the PIPs are more pertinent than this section. We see nothing in the Decision or Draft Resolution that would prohibit financing of non-EEEM water measures in the 30% non-EEEM category and do not understand SDG&E's concern that they would be ineligible when this section of the PIPs is removed.

# **Discussion of PIP Compliance Comments**

The IOUs filed 35 pages of comments on the Draft Resolution, which underscores SCE's assertion that the IOUs did not agree with Commission staff interpretation of Commission decisions. This Draft Resolution illustrates the ways in which the PIPs are not compliant with Commission decision.

#### **Discussion of IT Advice Letter Comments**

We recommend the IOUs file a petition to modify the Finance Decision if they wish to eliminate the requirement that they file an Advice Letter regarding the IT system changes for which the Decision allocated some \$8 million. We recommend the IOUs request CPUC Executive Director Paul Clanon allow them to change the Decision-ordered timing of the Advice Letter filing given SCE and SoCalGas are concerned it will cause delays.

# Discussion of PIP Corrections and Approval Comments

The Commission is unable to adopt informal versions of PIPs. The only PIPs that the IOUs filed following necessary due process were those they filed at 60 and 90 days after the Finance Decision, as ordered. It is those PIPs that the Draft Resolution has ordered the IOUs to amend as directed here, including the EFLIC Advice Letter, which Commission staff has already reviewed and for which we have directed detailed changes.

We are concerned that SoCalGas believes the directives in the Draft Resolution are too "broad" for the IOUs to act on succinctly and would have appreciated examples that we could address here.

We are unclear as to what regulatory compliance requirements would be compromised if IOUs need Commission staff approval to make further changes to the PIPs. Rather than create blanket rules here we recommend IOUs notify Commission staff well ahead of any deadlines of any changes that are needed and contact program and project supervisors if Commission staff are not responsive. We think the staff approval requirement is reasonable given the necessity for this Draft Resolution to approve the PIPs.

We agree with SoCalGas that the draft PIPs should be amended to include the corrections listed on Page 5 of SoCalGas reply comments, with modifications, as reflected in the Draft Resolution Section 4.

### **FINDINGS**

- 1. The Joint Utilities filed Advice Letters listed below in compliance with D.13-09-044:
  - Southern California Gas Company Advice Letter (AL) 4562,
     San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;
  - Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
  - Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.
- 2. Advice Letters AL 4581, 2558-E/2253-G, 3439-G/4327-E, and 2989-E were timely protested jointly by California Housing Partnership Corp. and Build it Green with support from Marin Clean Energy.
- 3. The Joint Utilities' ALs are out of compliance with D.13-09-044 and D.12-05-015 with regard to the budget allocation and lead role for finance pilot marketing, financing of DG and DR, retrofits financed without rebates or incentives, IDSM, and other issues identified in this Resolution.

- 4. The Joint Utilities requested Commission clarification of D.13-09-044 through a Commission Resolution. They requested clarification on the pilot marketing, financing of DG and DR, and IDSM sections of the PIPs.
- 5. California Housing Partnership Corporation and Build it Green's joint protest asserted that Solar Domestic Hot Water systems are integral to a multi-family retrofit and should be allowed in the eligible loan amount for the multi-family pilot, but without credit enhancement. Marin Community Energy supported the protest.
- 6. The Joint Utilities' protest response agreed with the importance of Solar Domestic Hot Water systems for multi-family retrofits, and with the inclusion of this measure in the multi-family pilot eligible measures, as long as no credit enhancement is used.
- 7. The Commission concludes it is reasonable to allow financing of Solar Domestic Hot Water Systems without ratepayer credit enhancement in the multi-family pilot, including the pre-development phase, but without credit enhancement, pursuant to the statutory limits on funding this measure.
- 8. D.13-09-044 prohibits the cross subsidy with EE credit enhancements of demand response (DR) and distributed generation (DG) technologies. The Finance Decision created six credit enhanced pilots where it was envisioned the total amount of each loan or lease would be credit enhanced. No portion of any enhanced loan or lease in these six pilots with credit enhancement can fund DG or DR technologies.
- 9. D.13-09-044 created a non-credit-enhanced pilot for non-residential customers that can finance DR and DG technologies. The decision did not place any limits on DR and DG technologies financed by this pilot. For instance it did not place limits on which DR and DG technologies can be financed, the percent of a loan that can be dedicated to DR or DG, or the number of loans that could be made to finance DR and DG projects.
- 10. D.13-09-044 requires that a minimum of 70% of any loan or lease made through one of the six credit enhanced pilots consist of eligible energy efficiency measures, which it defined as measures that have been approved by the Commission for a utility EE rebate and incentive program though a borrower need not use a rebate or incentive.
  - D.13-09-044 allows up to 30% of the loan or lease amount to finance improvement activities that are incidental to the EE portion of the project and

- make it more likely that customers undertake an EE project. CAEATFA in its rulemaking can further define allowable costs as necessary.
- 11. D.12-05-015 directed the consolidation of demand side marketing to foster a single integrated approach without duplicative or contradictory efforts and spending, using the brand Energy Upgrade California.
- 12. D.13-09-044 recognized the natural synergies between the ME&O needed for the finance pilots and the statewide coordinated Energy Upgrade California ME&O effort, recognizing that financing is a strategy to reduce the first cost barrier to taking demand side management action.
- 13. D.13-12-038 designated CCSE as the program administrator and implementer for the statewide ME&O program. In acknowledgement of this then-pending decision, D.13-09-044 designated the entity so named by D.13-12-038 to be the statewide lead for finance pilot marketing to be folded under the statewide effort approved by D.13-12-038
- 14. D.13-09-044 orders the Joint Utilities to release up to \$8 million of the authorized pilot funds to the implementer of the statewide ME&O campaign: CCSE
- 15. D.13-09-044 in its definition of eligible energy efficiency measures (EEEMs) makes clear customers do not need to use a utility rebate or incentive to participate in the finance pilots. D.13-09-044 does not place any utility requirements on retrofit projects that are accomplished outside of utility rebate/incentive programs. D.13-09-044 does allow CAEATFA to develop related standards.
- 16. D.13-09-044 does not set any IDSM objectives for the finance pilots and does not allow the primary IDSM technologies - DG or DR - to be included in six of the seven EE finance pilots.
- 17. D.13-09-044 directed the Joint Utilities to provide a list of eligible energy efficiency measures available to the public, including on the Joint Utilities' websites. The Joint Utilities must work with the Commission and CAEATFA to develop an EEEM's list in a form that best meets the needs of lenders, contractors, borrowers, and others likely to engage in these pilots.
- 18. Various miscellaneous modifications are needed to the PIPs for compliance and clarity and should be made as described in this Resolution.
- 19. The Commission finds it reasonable to adopt PIPs as the Joint Utilities shall amend them to comply with D.13-09-044 and D.12-05-015 and with all compliance information and clarifications detailed in this Resolution. The

Commission also finds it reasonable for the finance pilots to begin under CHEEF administration while the Joint Utilities update the PIPs.

### THEREFORE IT IS ORDERED THAT:

- 1. The following Advice Letters including seven program implementation plans for the energy efficiency finance pilots are approved as amended by the clarifications and compliance information in this Resolution:
  - Southern California Gas Company Advice Letter (AL) 4562,
     San Diego Gas & Electric Company AL 2545-E/2243-G, Pacific Gas & Electric Company AL 3433-G/4320-E, Southern California Edison Company AL 2969-E, filed on November 19, 2013;
  - Southern California Gas Company AL 4581, San Diego Gas & Electric Company AL 2558-E/2253-G, Pacific Gas & Electric Company AL 3439-G/4327-E, and Southern California Edison Company AL 2989-E filed on December 19, 2013; and
  - Pacific Gas & Electric Company AL 3441-G/4328-E filed on December 19, 2013.
- 2. The Joint Utilities shall file the compliant PIPs within 30 days of the approval of this Resolution. The Joint Utilities shall not take this opportunity to make other unrelated changes to the PIPs. The Joint Utilities shall file the updated PIPs in redline to easily identify changes, and with accompanying clean copies. Further, future changes to these PIPs, including those made by the PIP addendum process, must first be approved by Commission staff.
- 3. The finance pilots that are the subject of the three ALs and seven PIPs are approved to begin operation under the CHEEF while the Joint Utilities amend the PIPs.
- 4. The joint protest by California Housing Partnership Corporation and Build it Green is resolved by allowing the financing of Domestic Solar Hot Water systems without ratepayer credit enhancement in the multi-family pilot, including its pre-development phase.
- 5. The Joint Utilities shall work with CAEATFA and the Commission to develop public lists of eligible energy efficiency measures that contain sufficient information about the financed measures to meet the needs of lenders and others, including those with a statewide view.

- 6. The Joint Utilities shall release to CCSE up to \$8 million for statewide marketing on an as needed based on roles and associated budget allocation designated in the statewide finance pilot marketing plan CCSE will develop in its role as statewide ME&O administrator under D.13-12-038, as approved by the Commission
- 7. The Joint Utilities shall begin releasing funds to CCSE no later than 15 business days after the adoption of this Resolution to cover the cost of CCSE's work as detailed in this Resolution, and in the finance pilot ME&O plan CCSE develops.
- 8. Joint Utilities shall comply with the finance marketing plan approved via an Advice Letter.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 26, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

June 26, 2014

### **APPENDIX A**

ME&O Plan for PIPs, Section 10.h

In order to accomplish the statewide integrated approach to promoting the finance pilots envisioned by D.13-09-044, the California Center for Sustainable Energy (CCSE) will create one integrated statewide, multi-sector marketing, education and outreach (ME&O) plan. CCSE is also the coordinator of the statewide ME&O effort under the Energy Upgrade California brand. The finance pilot ME&O plan will identify roles, actors including IOUs, and allocate the marketing budget accordingly.

CCSE will oversee the implementation of the plan. Concurrent to its development of the ME&O plan, CCSE will develop the contractor training and outreach. CCSE will perform any other roles the plan assigns it.

Based on the timeline below, CCSE will convene and lead a "go-to-market" working group comprised of CAEATFA and IOUs in order to develop and finalize the plan. The plan will take a market facilitation approach that at a minimum leverages channels of customer service including contractors and lenders, as well as IOU customer data segmentation, and existing ME&O of appropriate IOU programs.

In order to develop the plan, CCSE will draw on existing market research, the experience of program administrators, and as needed lead research that examines barriers to pilot participation and how to overcome them. CCSE may convene sector and pilot specific financing strategic partner advisory groups.

Major elements of the plan are likely to include contractor outreach and training, including development of educational information and tools for contractors and consumers, and ongoing support to contractors and financial institutions through a variety of channels including cooperative marketing campaigns.

As envisioned by the Finance Decision, the plan will integrate financing education and awareness messaging into the existing statewide Energy Upgrade California marketing, education and outreach, and capitalize on those synergies.

# **CCSE Timeline for Finance ME&O Plan & Concurrent Activities**

Activity	<b>Estimated Timing</b>
Contract for work to commence	July 2014
Convene working group to collaborate on plan	July 2014 + ongoing
Solicit and conduct additional research needed	July-September 2014
Develop contractor training and outreach	August-September 2014
Complete first draft ME&O implementation plan	September 1, 2014
Complete final draft ME&O implementation plan	October 2014
and File Tier 1 Advice Letter	
Lead implementation of ME&O plan	Q4 2014 + all 2015

(END APPENDIX A)